

## Cities need 1% sales tax, mayors say

### McMahon, others say lawmakers cripple urban centers financially

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LANCASTER — Reading Mayor Tom Mc-Mahon joined the mayors of four other Pennsylvania cities here Tuesday to say that if state legislators don't soon provide urgently needed municipal tax relief, numerous cities will end up with their budgets under state control.

"All we're asking them to do," said Lancaster Mayor Rick Gray, "is recognize there's a problem here, and they're the problem."

He, McMahon and the mayors of York, Easton and Bethlehem said legislators have crippled their cities' finances by limiting taxes and forcing cities to accept police and firefighter contracts that aren't negotiated, but awarded by arbitrators who are banned from considering a city's ability to pay.

Reading faces a \$15 million to \$18 million budget gap next year and is likely to have major police layoffs, McMahon said.

"I don't see any way around it," he said.

Reading has a year at most to get help, he said.

If not, it will have to file for Act 47 status under a 1987 statute that allows cities to reorganize their finances under state guidance.

Act 47 status is not bankruptcy, however, and won't let the city break union contracts.

The program might provide a couple of million dollars in financial help, not enough to close expected budget gaps. The mayors want the only help Harrisburg is even considering — a 1 percent local-option sales tax that would cut property taxes and fund municipal cooperation efforts. McMahon said the sales tax could generate \$8 million in Reading, but the city would gain only 40 percent, or \$3.2 million. The remaining \$4.8 million would have to be used to reduce city property taxes. Forty states already have the tax and five Pennsylvania municipal organizations are calling for its passage in the commonwealth. They include the Pennsylvania League of Cities and Municipalities, which is holding its annual convention in Lancaster. "The commonwealth is broken, and the sooner we can get an understanding that we're in a crisis, the sooner we can fix it," York Mayor John Brenner said. "Both parties and both chambers (of the Legislature) have failed to act. "If we can't get some solid help, more and more cities will slide into financial distress." Gray said cities are doing what they can to cut costs, but that their hands are tied. "It's not that we have too many police or firefighters or public works employees, but we can't pay for what we have," he said.

The five-city coalition was formed last year as the Pennsylvania Economy League began studying their finances for a report, released in March, that said none of them can support themselves from their existing tax base.

"All the taxes levied within the city do not generate sufficient revenue to pay for public safety (police and fire), let alone the other basic functions of the government," the report said.

The cities have used one-time cash sources — such as debt refinancing or asset sales — to balance their budgets, but the mayors said they've run out of those options.